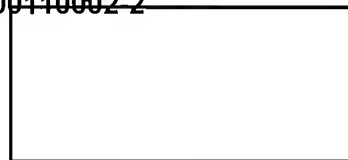




Director of
Central
Intelligence

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National Intelligence Daily (Cable)

13 February 1979

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SITUATION REPORTS

IRAN

Ayatollah Khomeini's Islamic government is moving rapidly to consolidate its control in Iran. Some sporadic fighting continued yesterday between Khomeini's supporters and diehard military units, but the level of violence appears to be diminishing.

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Some sporadic violence and looting is continuing. Yesterday, several senior officers--including the commander of the Imperial Guards--were killed.

The USSR, India, Libya, Pakistan, and Mauritania have recognized the new government. West Germany issued a message calling for continued good relations and saying that a special recognition was unnecessary because West Germany recognizes states and not governments. Other countries, including Sudan, have sent messages to Bazargan supporting the revolution.

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Bazargan moved into the Prime Minister's office yesterday and announced several cabinet appointments. On the whole, his appointees are relatively moderate members of the Islamic movement.

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-- Dr. Ibrahim Yazdi is Vice Prime Minister in Charge of Revolutionary Affairs. He is a naturalized US citizen and longtime Khomeini aide.

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-- Hachim Sabbaghian is Vice Prime Minister in charge of matters relating to the

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transfer of power. An engineer by training, he is a close ally of Bazargan and a founding member of the Committee for Human Rights and Freedom. [redacted]

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-- Amir Entezam is Vice Prime Minister for Public Relations. He is a longtime close aide of Bazargan and a senior official in the Liberation Movement of Iran. [redacted]

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Bazargan named as the new chief of the Supreme Commander's Staff former General Qarani, who replaces General Gharabaghi. Qarani, 69, was arrested in 1958 for rightist coup plotting. Discharged from the military and sentenced to three years in prison, Qarani was arrested again in 1964 for allegedly participating in anti-regime activities. He has served in recent weeks as a senior military adviser to Khomeini and is anti-Communist. [redacted]

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Lieutenant General Mehdiyun replaces General Rabii as Air Force Commander. Mehdiyun was formerly Air Defense Commander. [redacted]

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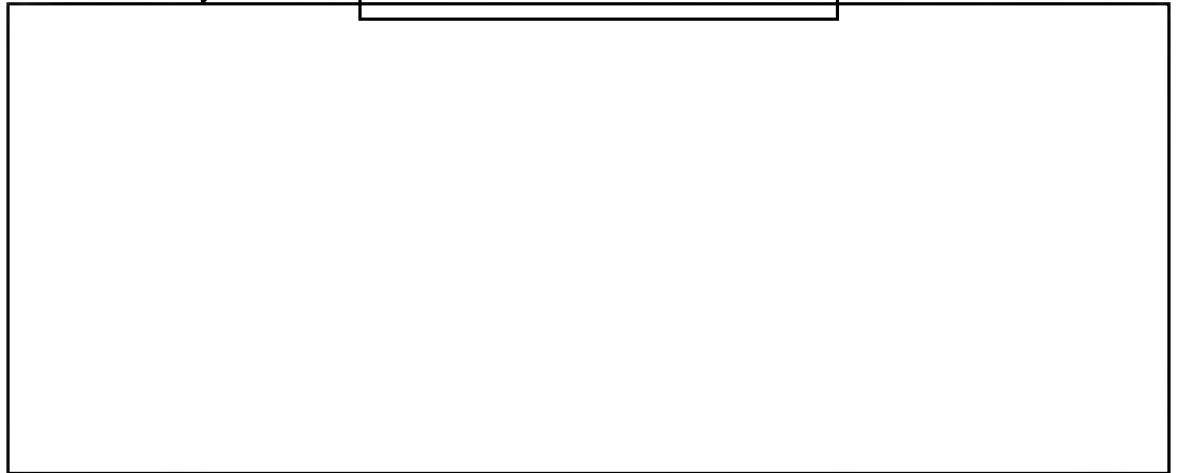
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USSR-VIETNAM-CHINA

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There have been no significant new military developments along the Sino-Vietnamese border so far this week. Prince Sihanouk returns to China today, and the Chinese seem to see a role for him as leader of a new Kampuchean "united front."



China apparently is laying the groundwork for Prince Sihanouk to lead a new Kampuchean "united front." A *People's Daily* editorial Saturday called on "all the patriotic classes, social strata, and political forces" in Kampuchea to unite in resisting Vietnam. The editorial urged the Kampucheans to adopt new social policies; it thus implicitly criticized the Pol Pot regime's persecution of "patriotic intellectuals" and "bourgeoisie."

Pol Pot's name has not appeared in Chinese press articles originating in Beijing since 18 January, but the Chinese are evidently not yet prepared publicly to repudiate the Kampuchean leader, who apparently continues to lead the anti-Vietnamese resistance in the country. Sihanouk's arrival in Beijing today, however, will provide an opportunity for the Chinese to promote his leadership of a "united front" organization that could eventually supersede Pol Pot.

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ITALY: Andreotti's Political Efforts

Prime Minister - designate Andreotti's major stumbling block in forming a new Italian government continues to be the Communists' insistence on cabinet posts and refusal by the Christian Democrats to meet this demand. [REDACTED]

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Both parties rejected a compromise formula, reportedly suggested by Andreotti, that would grant half the cabinet posts to Christian Democrats and the other half to "technicians" nominated by the Communists and other parties that supported the previous government. [REDACTED]

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Andreotti has postponed the series of interparty talks that was slated to begin today. He apparently intends to revise his party's legislative program and to make changes more acceptable to the Communists on key economic and public-order issues. Even if the revisions meet the Communists' stringent demands, it is unlikely that they will agree to support Andreotti unless the question of the cabinet's makeup is resolved to their satisfaction. [REDACTED]

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If Andreotti is unable to form a new government, President Pertini may attempt to avoid the dissolution of parliament and a call for a new election by appointing another prime minister - designate--perhaps even a non - Christian Democratic politician. [REDACTED]

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CHAD: Renewed Fighting

Fighting broke out yesterday in Ndjamena between President Malloum's forces and those loyal to Prime Minister and former Muslim rebel leader Habre. Malloum's forces are slowly restoring order, and the French Ambassador believes that Habre probably has fled the capital. All US citizens in the city reportedly are safe, and French troops are positioned around both the airport and the European section of the capital. [REDACTED]

[REDACTED]

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RHODESIA: Airliner Downed

A Rhodesian civil airliner apparently was downed yesterday by nationalist guerrillas using two surface-to-air missiles, according to Rhodesian security officials. There were no survivors among the 54 passengers on board the flight, which had just left Kariba. A Rhodesian airliner was shot down last September near Kariba by Zimbabwe African People's Union guerrillas using an SA-7 surface-to-air missile. If the guerrillas downed the airliner, the Rhodesians will almost certainly retaliate by attacking ZAPU targets in Zambia. [REDACTED]

CSCE: Meeting in Valletta

//A meeting on Mediterranean cooperation opens today in Valletta, Malta, under the umbrella of the Conference on Security and Cooperation in Europe. While it is supposed to be a purely technical meeting, many participants are concerned that Mediterranean security issues, explicitly reserved for the CSCE review session in Madrid next year, will be raised by Malta or by Arab states granted the privilege of addressing plenary sessions. The question of whether the Palestine Liberation Organization is to be present could cause trouble, especially because an Israeli delegation will attend. The North-South dialogue and the future of Malta's security after British troops withdraw on 31 March may also come up for discussion.//

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SPECIAL ANALYSES

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IRAN: Prospects for the Islamic Republic

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[REDACTED]

//Led by 78-year-old Ayatollah Khomeini, the symbol of the Iranian Revolution, the newly proclaimed Islamic Republic of Iran faces enormous challenges as it attempts to organize a viable and stable government. This preliminary assessment examines the problems the new government faces.// [REDACTED]

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//Nothing like what Khomeini proposes has ever been attempted before in a major Islamic country. The Islamic movement has one enormous asset as it enters this experiment--the overwhelming support of the Iranian people.// [REDACTED]

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//Khomeini's most serious and immediate challenge is from the rapidly emerging left wing of the opposition. In Khomeini's view, it already poses a threat. The Ayatollah has blamed leftists and Communists for hindering his efforts to restore oil production to a level sufficient to meet domestic needs. Some of his advisers appear to be aware that the longer instability persists the more likely the left will attract more workers and students.// [REDACTED]

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//The street battles last weekend dramatically illustrated that the leftists have considerable supplies of weapons. The Marxist terrorist group known as the People's Sacrifice Guerrillas or Chariks is playing a particularly prominent role. The Chariks' ability last weekend to move rapidly to widen the conflict suggests that they are not only well organized but are in a position further to exploit what is likely to be a fluid situation for some time.// [REDACTED]

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//Sporadic negotiations and widespread street battles in Tehran set the stage for the creation of the Islamic Republic. The military was the last major bastion of support for the Shah's regime, and monarchist sympathies

--continued

probably still exist among some officers. Khomeini and Prime Minister Mehdi Bazargan will have to monitor carefully their relationship with the military.// [REDACTED]

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//The officers also will have to move cautiously. Pro-Khomeini sentiment is strong among the rank and file in the military, and even some senior officers have allied themselves with the Islamic movement. If Khomeini and Bazargan judge that their power base within the military is sufficiently well established, they may well decide to purge thoroughly the senior officer corps, some members of which have already been fired or shot.// [REDACTED]

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//Khomeini's advisers probably do not yet recognize the depth of the economic problems they face. From their public statements, it is clear that Khomeini's entourage has not gone beyond making broad generalizations on the economic policy of an Islamic government. Khomeini's advisers have yet to formulate policies designed to provide the public with the social benefits they have promised without producing oil at levels well above those they have indicated they want.// [REDACTED]

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//When addressing the immediate problem of getting workers back to their jobs, Khomeini has assumed that his exhortations will be sufficient to get the economy functioning. This may not be enough. Now that labor has played out its role in bringing about the economic paralysis that helped force the Shah from the scene, it may well split into rival factions. Some of these may be more responsive to leftists who will attempt to expand their influence in the labor movement.// [REDACTED]

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//While all of these problems pose serious obstacles to the Islamic movement's ability to make a new regime viable, the greatest challenges in the long run may well come from within. Internal divisions within the Islamic movement have been evident for some time.// [REDACTED]

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//The most noticeable has been between Khomeini's entourage in exile and the movement's organization inside Iran. The internal leadership, for example, urged Khomeini to delay his return to Iran; the exiles pushed for a rapid return.// [REDACTED]

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//The infighting between these two groups probably is symptomatic of other potential divisions in the Islamic movement that will become more evident now that it has achieved power. Much of the internal quarreling probably will be difficult for outsiders to observe; nonetheless, it is likely to be intense and far reaching.//

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//A major potential division in the Islamic movement involves a clash of ideologies. Fundamentalist Islamic thought has been a major element in the opposition's appeal to the masses of low-income Iranians who have provided Khomeini with his power base.//

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//On the other hand, some of Khomeini's supporters--including aides like Bazargan--are far less fundamentalist. Many have been educated in the West and exposed to modern ideologies. They look to the writings of the late Iranian revolutionary theoretician Ali Shariati for their inspiration.//

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//Shariati, a Sorbonne-trained sociologist who died in 1977, wrote extensively on the political implications of Shia Islam. Shariati interpreted Shiism as a revolutionary doctrine that he hoped would make Islam relevant to the problems of modern Iran.//

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//Fundamentalists and reformers may well disagree over a number of issues, including:

- The pace of modernization.
- The role of women in society.
- Oil extraction and production rates.
- Educational policy.
- The role of Islamic law (sharia) in the judicial system.//

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//Although his aides say Khomeini is himself a disciple of Shariati, the Ayatollah's writings are much closer to strict fundamentalism. His background disposes him to traditional Shia views.//

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//The role Khomeini chooses to play in the formulation of policy in the Islamic Republic will be critical to its development. Khomeini will most likely continue to act as the "guide" of the revolution once the Islamic Republic is consolidated. He may simply issue vague pronouncements from the holy city of Qom on the general direction of policy.// [REDACTED]

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//Bazargan is likely to exercise considerable influence. His credentials include an unblemished record of opposition to the Shah, long and close ties to the Islamic religious leadership, and experience in oil matters.// [REDACTED]

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//The new regime is likely to move rapidly to distance itself from the Shah's foreign policies. Both Khomeini and Bazargan have long advocated a nonaligned foreign policy with close ties to other Islamic states. This general policy line may translate into a number of policy implications. Iran will:

-- End its ties to the Central Treaty Organization.

-- Cut off all ties [REDACTED] to Israel. 25X1
[REDACTED] 25X1

-- Establish close links to the Palestinians.

-- No longer act as the policeman of the Persian Gulf and will not support conservative regimes like the one in Oman. 25X1

-- Become a price hawk in OPEC.// [REDACTED]

//Assuming it manages to bring the leftist threat under control, the new regime is also likely to be deeply anti-Communist and anti-Soviet. Khomeini and other Islamic figures see the Soviets as atheists and are well aware of Moscow's long history of seeking to subvert Iran. The Islamic Republic may even provide support for Islamic groups opposed to the pro-Soviet regime in Afghanistan.// [REDACTED]

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NON-COMMUNIST OIL MARKET: Supply Outlook

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//The non-Communist oil market will remain extremely tight, at least through early 1980, as a result of the loss of Iranian oil exports. CIA analysis indicates that unless Iranian production is soon restored to a level of 3 to 4 million barrels a day or unless oil consumption is restrained, stocks will fall to abnormally low levels by mid-1979 even with continued high levels of production in Saudi Arabia and elsewhere. This will inevitably lead to increased rationing of supplies by oil companies, higher prices, and curtailed economic growth.//

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//The magnitude of the problem will depend partly on the stock adjustment process of oil companies and consumers. If the future supply situation continues to look bleak to the companies as 1979 progresses, they will be reluctant to draw down stocks. Instead, they probably will cut back supplies to final consumers, who would hoard their own stocks.

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Overall oil inventories in the West are still in good shape. As long as other oil exporting nations do not cut back their flow and consumption does not increase significantly, the inventories should be adequate to meet aggregate demand through this winter.

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Isolated spot shortages, however, are already surfacing. Oil companies--even those with little dependence on Iranian oil--have begun rationing supplies to customers, in part to hold down withdrawal from inventories. Exxon, for example, announced last week that it was cutting supplies to its customers and affiliates by 10 percent.

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Some consuming countries have begun implementing modest conservation measures. The combination of shortages and renewed conservation efforts already may be holding oil consumption growth a little below the levels expected last fall. [REDACTED]

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//Before the Iranian cutoff, oil experts generally believed oil consumption would grow about 3 percent in 1979--the same as in 1977 and 1978--to about 52.6 million barrels a day. In order to meet demand, supplies from OPEC countries would have had to increase about 2 million barrels a day in 1979 to roughly 32 million barrels a day--about the same level of output as in 1977. Supplies from countries that are not members of OPEC are expected to rise from 20 million barrels a day in 1978 to about 21 million this year.// [REDACTED]

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//If Iranian production does not go above 1 million barrels a day during 1979, even substantial inventory drawdowns would not allow consumers to avoid severe, widespread shortages next winter. A worst case scenario assumes Iranian production at near-current levels, a Saudi decision to limit output to 8.5 million barrels a day, and oil consumption growth at the same rate as in

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1977 and 1978. In such a case, consumption restraints could be avoided only if stocks were drawn down to the equivalent of less than 40 days of daily average consumption by March 1980. Under normal conditions stocks would be equivalent to about 67 days of average consumption.//

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//If the Iranian oil cutback continues well into 1979, and oil consumption is not restrained, the situation could become critical even with the Saudis producing near maximum levels. Although consumption would drop with warming weather, oil companies and large consumers would have a difficult time rebuilding inventories to desired levels in the spring and summer to meet next winter's needs. If inventories continue falling during the spring and summer or cannot be sufficiently rebuilt, oil consumption will have to be restrained to reduce the likelihood of severe, widespread shortages.//

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